

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item 11.4

Meeting Date: June 1, 2017

Subject: 2017-2018 Governor's May Revision Update

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: _____)
- Conference/Action
- Action
- Public Hearing

Division: Business Services

Recommendation: Receive information on

_____ information becomes available. As the district executes the current year budget, the process to develop the budget for the next fiscal year begins. The first event of the new budget cycle is the presentation of the Governor's Proposed Budget that becomes public in January of each year. The 2017-18 budget will be based on the Governor's May Revise Budget. Staff attended a conference on May 17, 2017 to learn the details of the Governor's Proposal and present updated information to the Board. The LCAP and budget must align.

Financial Considerations: N/A

LCAP Goal(s): Family and Community Empowerment; Operational Excellence

Documents Attached:

1. Executive Summary

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May Revision and Budget Workshop for 2018

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I. OVERVIEW/HISTORY:

Governor Jerry Brown released the May Revision 2017-18 proposed State Budget on Thursday, May 11th, 2017. Staff attended the May Revision Workshops on May 17th and 22nd, 2017 and the majority of this executive summary is from what staff learned at the workshops. The May Revision represents the final statutory opportunity for the Governor to update his economic projections prior to enactment of the State Budget in June. Sacramento City USD will develop the 2017 Budget based on the May Revision.

Governor Jerry Brown's May Revision paints a somewhat brighter fiscal picture than what he offered in his January Budget proposal; however, he noted that the state has increased spending by billions of dollars over the last several years, especially for education. He warned that we're starting to press the envelope with regard to the length of our current economic recovery, noting that the longest recovery on record is ten years, and we're now in our eighth year of growth. He emphasized exercising fiscal restraint due to this looming recession and pressures from Washington D.C. He cautioned that if the American Health Care Act ("Trumpcare"), or a similar bill were to become law, it would cost California billions of dollars.

He stressed that he did not want to return to the practices of prior Administrations in which new programs were added during the good times but have "thug pulled out" from people receiving these services when the economy turned south. Without predicting such a recession, he stated that the Department of Finance (DOF) has forecast a \$55 billion revenue shortfall over three years even with a recession of moderate intensity."

The largest part of the District's revenues is from Local Control Funding Formula (LCFF); therefore we will review this funding source in more detail.

As a reminder, the main premises of the LCFF when it was introduced were as follows:

- x Restoration of precession purchasing power to the 2007 level by 2021
- x Redistribution of funding among LEA's to fund additional services targeted students and closed the achievement gap
- x Greater Local control over programs and resources

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- x Categorical programs outside of the LCFF will see a 1.56% COLA increase. These programs include Special Education, Child Nutrition, Child Development, Foster Youth, and Preschool. As costs continue to rise, these programs will see adjustments only for COLA.
- x The May Revision proposes an increase of \$750 million in one-time discretionary funds compared to January.
- x At the January Governor's Budget Proposal, we were estimating about \$48 per ADA in one-time funds. The May Revision shows an increase of \$170 per ADA. This is a one-time increase equivalent to about \$4.7 Million for SCUSD. But, the Governor proposes to hold off on the funds until May 2019. SCUSD will not book it for 2018 Budget.
- x Funds can be used for any one-time expenditure as determined by the Board.

Special Education

- x The Governor's 2018 May Revision includes funding to pay for the small increase in the statutory COLA for special education.
- x The COLA is now estimated to be 1.56%, up from the 1.48% projected in the Governor's January proposal.
- x The estimated rate is \$8.31 per ADA.
- x Negligible funding increases to mental health and other care funding.
- x The Governor states that his office will, "spend additional time in the coming months examining these issues to chart a path forward that will maximize resources to serve students while increasing transparency and accountability."

Career Technical Education

- x The Governor's 2018 May Revision does not provide any additional funding for Career Technical Education (CTE) from what was proposed in the January Budget.
 - o The January Budget proposal includes the final installment of \$200 million for the three-year program that began in 2015.

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- o This continues a planned reduction of \$100 million from the 2016 funding level
 - f Local matching grant requirement for 2018 is \$2 for every \$1 provided by the state.
 - f School districts will be responsible for maintaining programs from their LCFF funding going forward.
- x The Assembly Budget Subcommittee on Education has recommended an Education and Budget Subcommittee hearing in the fall of 2017 to discuss the future of CTE

Child Care and State Preschool

- x The May Revision includes funding to provide nearly 3,000 additional state preschool slots as agreed to in last year's State Budget.
- x Clarifying intent with the Governor's January proposal to promote alignment between State Preschool and Transitional Kindergarten programs, the May Revision specifies that:
 - o Higher ratios can be used when a teacher is credentialed and has Early Childhood Education (ECE) credits
 - o The authority to be exempt from Title 22 commences on July 1, 2018.
 - o Children with special needs above the income ceiling can only be enrolled after other eligible three and four-year-olds are enrolled

Teacher Workforce

- x The 2017 Enacted Budget included investments to recruit new teachers and streamline teacher preparation programs
- x The programs included funding for:
 - o Integrated Bachelor of Arts and credential programs
 - o Programs that assist classified staff interested in becoming teachers to earn their teaching credentials

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o State recruitment campaign

x While we await details, the May Revision proposes to leverage the flexibility of the ESSA and call for the use of federal dollars to further last year's efforts

Federal Every Student Succeeds Act

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II. DRIVING GOVERNANCE

- x Education Code section 42130 requires the Superintendent to submit two Interim Reports to the Board of Education during each fiscal year. The first report shall be submitted by the end of the first quarter of the fiscal year.

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